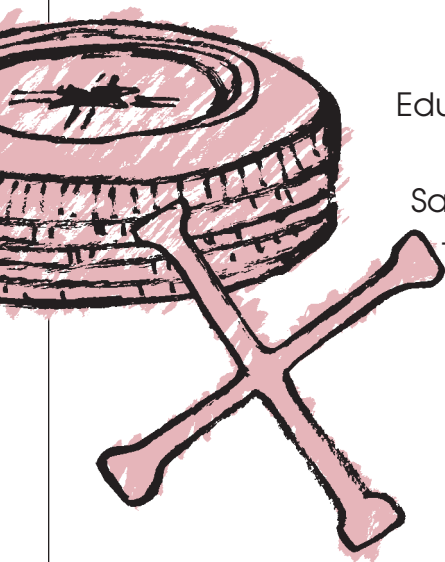


Tax Commission

IDAHO

REPAIR SHOPS



An
Educational
Guide to
Sales Tax in
the State
of Idaho

This brochure is intended to help repair shop owners and others who do repairs understand the sales tax laws that apply to their business. This information is based on the sales tax laws and rules in effect on July 1, 1996.

SALES BY REPAIR SHOPS

This brochure is intended for businesses that repair tangible personal property, such as:

Shoes	Business machines
Automobiles	Bicycles
Watches	Electric motors
Televisions and other	Farm equipment
electronic	Appliances
equipment	Saws (including
Furniture	sharpening)
Recreational equipment	

Repairs made to real property by plumbers, carpet layers, electricians, roofers, etc., do not fall into this category.

Businesses that repair real property are contractors. For more information on these repairs, see Brochure #40—Contractors.

ARE REPAIR SHOPS REQUIRED TO BE REGISTERED WITH THE TAX COMMISSION?

Yes, if they sell tangible personal property. Sales of tangible personal property are taxable. Sellers are required to apply for a seller's permit and file regular sales tax returns.

IS REPAIR LABOR TAXABLE?

No, if you list the repair labor and parts separately on the bill to your customer. If this is done, only the parts are taxable. If you lump the parts and labor together, you must tax the whole amount.

WHAT IS THE DIFFERENCE BETWEEN REPAIRS AND FABRICATION?

When an item is "repaired," it is restored to working condition so it can be used as originally intended.

When an item is "fabricated," it is manufactured and designed to be used for a different purpose than that of the components and raw materials used in the fabrication process.

IS FABRICATION LABOR TAXABLE?

Yes. Fabrication labor is always taxable, even if it is listed separately from the parts.

Example: Tom's Repair Shop fixes a customer's broken trailer hitch. Tom bills the customer \$15 for materials plus \$20 for labor. Tax applies only to the \$15 for materials. The customer's trailer hitch has been restored or repaired.

Example: Tom's Repair Shop makes a trailer hitch for a customer because the customer's hitch is broken beyond repair. Tom bills the customer \$20 for materials plus \$25 for labor. Tax applies to the full \$45 because Tom fabricated a new trailer hitch.

Example: Jim's lawn mower repair shop replaces two wheels, does a tune-up and replaces an axle in the drive mechanism of a customer's self-propelled mower. The wheels, mounting bolts and a spark plug are taken from Jim's inventory. Jim has no axles, so he has a machine shop fabricate one. The machine shop bills Jim \$42 (\$12 for material and \$30 for labor).

When Jim bills his customer, he itemizes the bill to include the parts from his inventory (\$22), a new axle (\$42), and his labor to tune up and install parts (\$50). The separately-listed \$50 repair labor charge is the only charge that is not taxable. The machine shop's labor is fabrication labor and is taxable.

ARE REPAIRS TAXABLE WHEN THEY ARE COVERED BY INSURANCE BENEFITS?

Yes. Repair bills paid by an insurance company are treated like any other repair bill. The parts and any fabrication labor must be taxed.

Example: An insurance company pays the bill to repair the broken windshield of a client's car. The repair shop must charge sales tax on the parts billed for the repair. If the repair labor is listed separately on the bill, it is not taxable.

SHOULD REPAIR SHOPS CHARGE TAX ON SHOP SUPPLIES?

Sales tax should not be charged on shop supplies that are used during the repair, even though you may bill the supplies separately on the customer's invoice.

Shop supplies include spray bottles, buffer pads, towels, masking tape, solvents, sandpaper and other materials that *do not* become part of the item being repaired. These supplies are taxable when you buy them and should not be included as part of the taxable amount billed to the customer.

Occasionally, items that *do* become part of the repairs are billed to the customer based on a percentage of labor charged or time required to make the repairs. In these cases, you pay tax on the shop supplies when they are purchased, even though they become part of the item repaired.

Example: An auto body shop bills a customer for paint and other supplies based on the *time* it takes to paint a car. The shop should pay tax on the paint and supplies when they are purchased, and no tax should be billed to the customer.

HOW SHOULD I HANDLE REPAIRS LIKE FLAT TIRES, WHEN THE PARTS ARE SO SMALL IT IS HARD TO FIGURE THE COST?

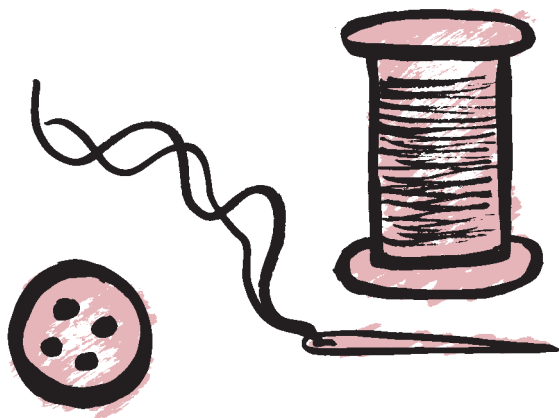
Sometimes, because of the small amount of materials used in a repair job, the value of the material is insignificant compared to the entire repair cost.

For **example**, incidental amounts of material may be used to repair a flat tire, mend clothing, repair a watch or stitch a shoe. You should pay tax when you buy these materials. This eliminates the need to bill and collect sales tax on insignificant amounts for materials.

IS THE SALE OF PARTS OR FABRICATION LABOR EVER NONTAXABLE?

Yes. The exemptions that apply to sales of other goods also apply to repairs and fabrications, such as the production exemption, the resale exemption, purchases by government agencies, etc.

If a buyer claims an exemption from tax on goods you fabricate or repair for him, he must complete form ST-101, Sales Tax Resale or Exemption Certificate, for your files. This form covers all exempt sales to this customer.



PURCHASES BY REPAIR SHOPS

SHOULD I PAY TAX ON PARTS AND MATERIALS I BUY TO SELL?

When you buy parts and materials that you will resell, you may buy them without paying tax if you give the vendor a completed form ST-101. (Exceptions are some shop supplies and insignificant materials used in repairs, both described earlier in this brochure.)

WHAT ABOUT MY SHOP TOOLS AND SHOP SUPPLIES?

When you buy goods that you will not resell, such as shop supplies and tools, you must pay tax. You must also pay tax on your office supplies, things you give away to your customers (like calendars), and any other goods you buy that you do not resell.

If you do more fabrication work than repair work, read Brochure #30. You may qualify for the production exemption.

FOR MORE INFORMATION READ:

Brochure #2	Use Tax
Brochure #4	Retailers
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Rule 029	Producing, Fabricating and Processing
Rule 046	Plating and Replating
Rule 062	Repairs – Sales of Parts and Material
Rule 065	Tires – Balancing, Studding, and Siping
Rule 071	Resale Certificates – Purchases for Resale
Rule 075	Exemption Certificates – Exemption Claims Other than Resale

This brochure was prepared by
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It does not provide comprehensive
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